

Guardian
Growth Fund
Limited
Annual Report
1968

Guardian Growth Fund Limited

48 Yonge Street, Toronto 1, Ontario

Directors and Officers

James F. Cole
Alan Grieve, *Vice-President and Secretary-Treasurer*
Richard E. McConnell
Norman J. Short, *President*
Murray M. Sinclair

Transfer Agent and Registrar

The Canada Trust Company
110 Yonge Street, Toronto 1, Ontario

Banker and Custodian of Securities

The Canadian Imperial Bank of Commerce,
7 King Street East, Toronto 1, Ontario

Auditors

Smith, Nixon & Co.
372 Bay Street, Toronto 1, Ontario

Legal Counsel

Day, Wilson, Campbell
250 University Avenue, Toronto 1, Ontario

To the Shareholders

The year 1968 was a relatively good one for Guardian's shareholders. The net asset value per share rose from \$8.15 to \$10.97 for a gain of 35%. In the same period the Toronto Industrial index gained 16% and the Dow-Jones Industrial average gained 4%. The quarter by quarter performance is set out in the table below.

	Guardian Growth Fund	Toronto Industrials	Dow-Jones Industrials	
	Value	Change	Value	Change
Jan. 1	\$ 8.15		162.28	
Mar. 31	\$ 7.55	- 7%	146.88	- 9%
June 30	\$ 8.82	+ 17%	166.61	+ 13%
Sep. 30	\$ 9.65	+ 9%	176.37	+ 6%
Dec. 31	\$10.97	+ 14%	188.93	+ 7%
Year 1968		+35%		+16%
				+4%

Guardian started in July 1960 with a net asset value of \$1.00 per share. Between July 1st, 1960, and December 31st, 1968, the net asset value rose to \$10.97 for a gain of 997%.

In the same eight-and-a-half year period, the Toronto Industrial index rose by 90% and the Dow-Jones Industrial average rose by 48%.

The table below lists the year by year performance results for Guardian, and for the two market averages.

	Guardian Growth Fund	Toronto Industrials	Dow-Jones Industrials
1960	+11%	+ 8%	- 3%
1961	+94%	+28%	+19%
1962	+ 1%	-10%	-11%
1963	+24%	+11%	+17%
1964	+54%	+21%	+15%
1965	+ 4%	+ 2%	+11%
1966	+11%	-12%	-19%
1967	+70%	+10%	+15%
1968	+35%	+16%	+ 4%

It is worth noting that Guardian managed to hold its value in the two poor years 1962 and 1966. In the years of favourable overall market climate, Guardian usually managed to outperform the market as a whole. This was not so, however, in 1965.

The year 1968 was an interesting one for Guardian in several ways. In the early part of the year, the Ontario

Securities Commission introduced new guidelines for mutual fund management fees. As a result of this new fee schedule, your management had two alternatives — to continue to offer Guardian's shares through investment dealers, but to propose to shareholders a more than fifty percent reduction in the management fee; or, alternatively, to propose to shareholders that sale of new treasury shares cease, but that the management fee continue at a level above that permitted for a fund making a public offering.

At the annual meeting held in April, which was attended by more than four hundred and fifty shareholders, the second course of action was adopted. Shareholders approved the decision that sale of new treasury shares should cease. A revised management fee schedule was also discussed and approved.

This new fee schedule calls for a basic annual management and expense fee of 1½% of average assets plus a performance bonus earned only if Guardian outperforms the market averages. This bonus fee is ten percent of a favourable difference between Guardian's performance and that of the market averages up to a maximum of 2%. A great deal of expert legal and accounting talent has been devoted to a precise and accurate wording of this fee schedule. At the 1969 annual meeting shareholders will be asked to approve this new, more accurate wording, as set out in the information circular which accompanies this annual report.

During the last two weeks of public sale of treasury shares of the Fund, Guardian's assets rose by \$20 million from \$25 million to \$45 million. Since April 19th, 1968, further growth in total assets has come exclusively from growth in net asset value per share.

Guardian's investment philosophy continues to be based on a number of main principles. Your management believes in the importance of fundamental research. A great proportion of your management's time is used in visiting and talking to the managements of companies, or in studying corporate financial results. Your management attempts to concentrate assets in a limited number of investment areas, so that a favourable performance by a stock or group of stocks has a significant effect on overall results. Your management attempts to be rigorous in following a company's progress, and anticipated progress; unless there is a clear probability of a substantial gain in per share price over a predictable time period, your management is reluctant to continue to hold a security. Cash is regarded as a preferable holding to a fully valued security.

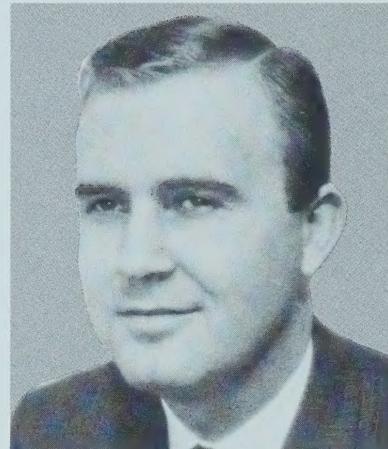
In the last eighteen months, there has been a very substantial increase in the size of Guardian's full-time investment research team. Norman Short, James F. Cole and Alan Grieve, among the directors of the Fund, spend full time on Guardian and related activities. The Fund's management company also employs in-house research staff, and retains consultants on general areas of interest and on specific projects. These consultants include Arthur D. Little Inc., Technological Investors Management Inc. and the Battelle Memorial Institute. In addition, Guardian derives substantial benefits from the knowledge and activities of Hunter Thompson and Gurston Rosenfeld, who are partners, officers and directors of Norman Short and Associates Limited, a registered firm of investment counsel. A detailed description of the background of your Fund's analysts and investment managers follows.

In its investment approach, your management attempts to strike a balance between too much rigidity and too much freedom of action for each individual. The committee system is widely criticized in today's investment management world, and is regarded as inferior to the single portfolio manager with complete autonomy over a segment of the portfolio assets.

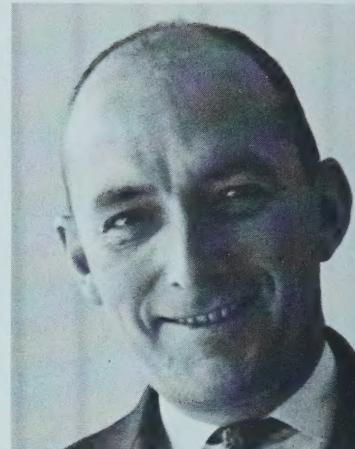
Your management agrees that part-time committees of non-experts with limited time or ability to understand complex situations are obsolete; this does not necessarily imply, however, that inter-change of ideas and facts between knowledgeable and diligent professionals is also obsolete. Your Fund's management group is made up of diverse personalities who respect each other, and who derive satisfaction and benefit from discussion, and even dispute, about investment situations and trends. This group of individuals, then, devotes its efforts towards seeking out unusual investment opportunities. In the diverse and dynamic economy of today such opportunities abound. It is your management's belief that this approach has been successful in the past and will continue to be so in the future.

The annual meeting of shareholders will be held on the 23rd day of April, 1969, at 8:30 p.m. in the Confederation Room of the Royal York. Your management looks forward to seeing as many shareholders as possible at that meeting.

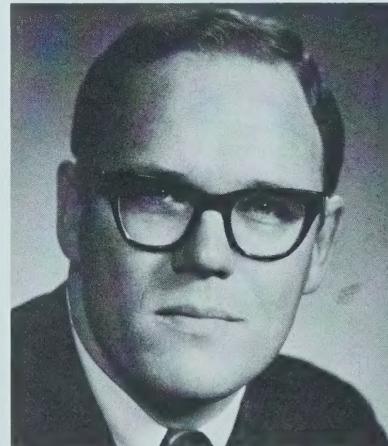
On behalf of the Board,
Yours sincerely,
Norman Short



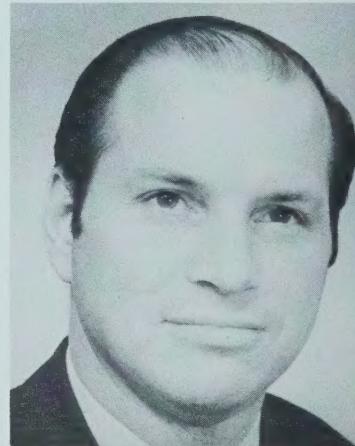
John Bak Born in Rotterdam, The Netherlands, in 1939. Business activity includes The Canadian Imperial Bank of Commerce 1956-58; Pacific Finance Corporation 1958-63; Midland-Osler Securities Limited 1963-67, and Guardian Growth Fund Limited from 1967 to date.



James F. Cole Born in Toronto, in 1925. Graduated from the University of Toronto (B. Comm) 1948. Employed by a Canadian investment dealer in Toronto and New York 1948-54; Empire Trust Company, New York, 1955-56; Andreae, Cole and Thompson Limited 1956-63; Elliott and Page Limited 1963-69; Guardian Growth Fund Limited from 1964 to date, and Gdn. Management Limited from 1965 to date.



Peter E. Roode Born in Brockville, Ontario 1937. Educated at Queen's University (B.Comm) and the University of Western Ontario (M.B.A.). Business activity includes McDonald Currie & Co. 1962-65; Charterhouse Canada Limited 1965-66; Rogers Broadcasting Ltd. 1967-68; Guardian Growth Fund Limited 1968 to date.



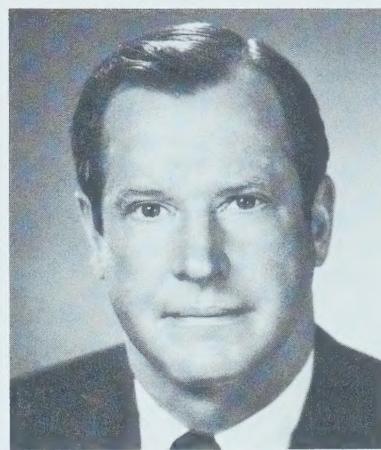
Gurston Rosenfeld Born in Toronto, in 1927. Educated at Upper Canada College and the University of Toronto. Business activity includes Famous Players Canadian Corp. Ltd. 1948-52; Premier Operating Corp. Ltd. 1953-58; Carlton Automatic Venders Ltd. 1958-61; Canadian Business Service Ltd. 1962-63; Royal Securities Corporation Limited 1963-65; R. A. Daly and Company Limited 1965-67, and Norman Short and Associates Ltd. December 1967 to date.



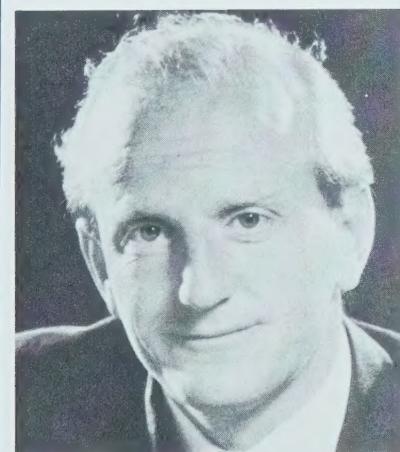
Alan Grieve Born in London, England in 1933. Educated at Whitgift and graduated as a Chemical Engineer from the Imperial College of Science and Technology, London University. Business experience includes engineering development work with Polymer Corporation 1954-58; technical marketing and management responsibilities with W. R. Grace of Canada 1958-66; Guardian Growth Fund Limited from 1960 to date and Gdn. Management Limited from 1962 to date.



Susanne Loewen Born in Winnipeg, Manitoba, in 1936. Educated at Wellesley College, Massachusetts. Business activity includes Montreal Trust Company 1955-57; Dean Witter Inc., New York, 1959-61, and Guardian Growth Fund Limited 1966 to date.



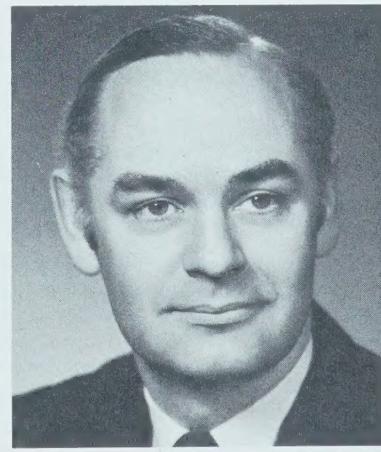
Richard E. McConnell Born in Bronxville, New York, in 1925. Educated at Princeton University and the University of Virginia Law School. Business activity includes practising law from 1952-56; Virginia Carolina Chemical Corp. 1956-59; Cyprus Mines Corporation 1959-63; Montgomery Scott & Co. 1963-66; the Donner Advisory Corporation from 1966 to date, and Guardian Growth Fund Limited from 1968 to date.



Norman J. Short Born in London, England in 1930. Educated at Fettes College, Edinburgh and Worcester College, Oxford. Business activity includes George Weston Limited 1953-56; Confederation Life Association 1956-60; Andreae Cole and Company 1960-62; Bache and Company 1962-64; Norman Short and Associates Limited 1965 to date; Guardian Growth Fund Limited from 1960 to date, and Gdn. Management Limited 1962 to date.



Murray M. Sinclair Born in Toronto, in 1931. Educated at the University of Arizona. Business activity includes A. E. Ames & Company Limited 1953-61; Midland-Osler Securities Corporation Limited 1962-67; Cochran Murray & Company Limited 1967 to date; Guardian Growth Fund Limited from 1964 to date and Gdn. Management Limited 1965 to date.



Hunter E. Thompson Born in Toronto, in 1932. Educated at Trinity College School, Port Hope and the University of Toronto. Business activity includes The Scudder Fund of Canada 1954-58; Andreae Cole and Company 1958-61; The Canada Trust Company 1961-65, and Norman Short and Associates Limited 1965 to date.

Guardian Growth Fund Limited

(Incorporated under the laws of Ontario)

Balance Sheet

as at December 31, 1968 (with comparative figures for 1967)

	1968	1967
Assets		
Investments — at market value (average cost — 1968 \$30,930,271; 1967 \$8,968,683)	45,275,104	12,379,175
Government of Canada treasury bills — at cost, plus accrued interest (equivalent to market value)	7,996,387	4,990,000
Cash	2,580,271	802,053
Due from brokers on sale of investments	1,899,778	40,580
Receivable on sale of company's preference shares	—	899,542
Dividends receivable and accrued interest	47,512	31,976
	<hr/> 57,799,052	<hr/> 19,143,326
Liabilities		
Due to brokers on purchase of investments	3,629,555	422,516
Accrued performance bonus (Note 3)	782,084	—
Other accrued liabilities	18,181	7,405
	<hr/> 4,429,820	<hr/> 429,921
Shareholders' equity — at market — equivalent to \$10.97 per share (1967 — \$8.15 per share)	\$ 53,369,232	\$ 18,713,405

Auditors' Report to the Shareholders

We have examined the balance sheet and statement of investments of Guardian Growth Fund Limited as at December 31, 1968 and the statements of income and expenses, capital redemption reserve, unrealized appreciation of investments, deficit and changes in net assets for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements, when read in conjunction with the notes appended thereto, present fairly the financial position of the company as at December 31, 1968 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Smith, Nixon & Co.
Chartered Accountants

Toronto, February 19, 1969

		Shares 1968	Shares 1967	1968	1967
Shareholders' Equity					
	Capital stock (Notes 1 and 2)				
	Fully participating redeemable preference shares with a par value of 20¢ each —				
	Authorized less redeemed	4,865,077	4,946,287		
	Outstanding	4,862,108	2,290,487	972,422	458,097
	Common shares with a par value of 20¢ each —				
	Authorized	50,000	50,000		
	Outstanding	4,500	4,500	900	900
	Capital redemption reserve		38,155,367	14,871,658	
	Unrealized appreciation of investments		14,344,833	3,410,492	
	Less: Deficit		53,473,522	18,741,147	
			104,290	27,742	
	Total Shareholders' equity		\$ 53,369,232	\$ 18,713,405	

Approved on behalf of the Board
 Norman Short *Director*
 Alan Grieve *Director*

Guardian Growth Fund Limited

Statement of Income and Expenses

for the year ended December 31, 1968 (with comparative figures for 1967)

Income	1968	1967
Dividends	189,700	58,153
Interest	495,579	127,117
	685,279	185,270
<i>Less:</i>		
Interest expense	2,954	154
	682,325	185,116
<i>Less:</i>		
Foreign Taxes withheld	41,348	13,516
	640,977	171,600
Expenses		
Management fee and performance bonus (Notes 3 and 4)	1,302,524	336,078
Custodian fees	16,517	4,029
Legal and audit	6,896	6,407
Printing	10,477	7,967
Capital and place of business taxes	9,490	2,552
Transfer agent's fees and expenses	22,151	10,425
Miscellaneous	732	6,810
	1,368,787	374,268
Excess of expenses over income before charging 50% of management fee and bonus to capital redemption reserve	727,810	202,668
50% of management fee and bonus charged to capital redemption reserve (Note 4)	651,262	168,039
Excess of expenses over income transferred to deficit	\$ 76,548	\$ 34,629

Guardian Growth Fund Limited

Statement of Changes in Net Assets

for the year ended December 31, 1968 (with comparative figures for 1967)

	1968	1967
Net Assets — Beginning of Year	18,713,405	3,295,700
<i>Add:</i>		
Net realized gains on sale of investments	4,967,842	1,042,427
Net increase in unrealized appreciation of investments	10,934,341	3,056,159
	34,615,588	7,394,286
Preference shares issued	20,100,227	12,162,703
<i>Less:</i>		
Preference shares redeemed	618,773	640,916
	19,481,454	11,521,787
	54,097,042	18,916,073
<i>Deduct:</i>		
50% of management fee and bonus charged to capital redemption reserve (Note 3)	651,262	168,039
Excess of expenses over income for the year	76,548	34,629
	727,810	202,668
Net Assets — End of Year	\$ 53,369,232	\$ 18,713,405

Guardian Growth Fund Limited

Statement of Capital Redemption Reserve

for the year ended December 31, 1968 (with comparative figures for 1967)

	1968	1967
Balance — Beginning of Year	14,871,658	2,796,497
<i>Add:</i>		
Proceeds from sale of preference shares, less 20¢ per share credited to capital stock (2,652,831 shares in 1968; 1,694,795 shares in 1967)	19,569,661	11,823,744
Net realized gains on sale of investments	4,967,842	1,042,427
	<hr/> 39,409,161	<hr/> 15,662,668
<i>Deduct:</i>		
Redemption value of preference shares redeemed less 20¢ per share charged to capital stock (81,210 shares in 1968; 89,724 shares in 1967)	602,532	622,971
50% of management fee and bonus (Note 4)	651,262	168,039
	<hr/> 1,253,794	<hr/> 791,010
Balance — End of Year	<hr/> \$ 38,155,367	<hr/> \$ 14,871,658

Guardian Growth Fund Limited

Statement of Unrealized Appreciation of Investments

for the year ended December 31, 1968 (with comparative figures for 1967)

	1968	1967
Balance — Beginning of Year	3,410,492	354,333
Net increase for the year	10,934,341	3,056,159
Balance — End of Year	\$ 14,344,833	\$ 3,410,492

Statement of Deficit

for the year ended December 31, 1968 (with comparative figures for 1967)

	1968	1967
Deficit (Surplus) — Beginning of Year	27,742	(6,887)
Excess of expenses over income for the year	76,548	34,629
Deficit — End of Year	\$ 104,290	\$ 27,742

Guardian Growth Fund Limited

Statement of Investments

as at December 31, 1968

	No. of Shares or Par Value of Debentures	Average Cost	Market Value
University Computing	23,000	2,162,460	3,872,800
Graphic Sciences	16,900	1,071,217	1,939,405
Graphic Sciences—6% Conv. Debs. 1983	U.S. \$315,000	467,506	841,215
Computel Systems	39,000	495,184	1,950,000
Computel Systems—6% Conv. Debs. 1988	\$450,000	540,450	641,250
Bath Industries—Pfd. "A"	11,600	1,678,678	2,357,570
Bath Industries—common	1,500	100,416	126,290
Medicenters of America	40,000	628,658	2,402,400
O.S.F. Industries	80,000	1,400,000	2,230,000
Leisure Group	26,000	1,709,420	1,868,290
Seaway Multi-Corp.	50,000	1,275,000	1,737,500
Leasco Data — Warrants	20,000	1,409,608	1,474,690
Harvey's Foods	40,000	716,774	1,400,000
Bramalea—7½ % Conv. Debs. 1988	\$500,000	720,250	740,000
Bramalea	51,250	247,690	608,600
Dylex Diversified — Class A	61,900	1,176,601	1,346,320
Famous Players	15,500	678,765	1,193,500
Block Bros. Ind.	50,000	788,264	962,500
Block Bros. Ind.—6½ % Conv. Debs. 1988	\$100,000	100,000	117,000
Keydata & Adams Assoc.	250,000	1,074,688	1,074,688*
Bausch & Lomb	15,000	1,081,276	1,021,550
Clevepak	34,900	883,880	1,001,260
The Federal Company	15,000	589,300	997,430
Lums	14,000	827,416	994,750
Beverly Enterprises	20,000	697,125	922,350
American Medical Enterprises	12,000	632,160	891,250
McLean Industries — Class A	17,000	613,328	884,280
Aetna Investments	220,000	275,000	770,000
I.T.L. Industries	45,000	479,250	686,250
Pennsylvania Life	15,000	359,896	635,460
Bonanza International	15,000	397,443	627,410
Republic Mortgage Investors — Units	26,000	618,723	606,500
C. A. Pitts Engineering	27,300	336,532	597,190
Brenda Mines	40,900	349,968	577,710
Flying Tiger Lines	17,000	555,670	528,740
Hi-Shear	11,500	565,527	524,190
Security Capital — Class B	50,000	250,000	518,750
Optical Scanning	4,000	492,052	514,800
J. W. Mays	10,500	413,733	501,130
Oshawa Wholesale—"A" Warrants	25,000	461,960	450,000
Air Industries	25,000	630,074	388,780
Radio Engineering	7,500	56,250	363,750
Miscellaneous holdings		922,079	1,387,556
		\$30,930,271	\$45,275,104

Notes

- (a) Cost of U.S. securities includes exchange at time of purchase;
- (b) Market value of U.S. securities includes exchange at the closing rate on December 31, 1968.
- (c) Since no public market exists for this security it is valued at cost which the directors consider to be a fair value.

Guardian Growth Fund Limited

Notes to Financial Statements

for the year ended December 31, 1968

1 The preference shares which confer the right to one vote per share, are redeemable at the option of the holder at 100% of the net asset value per share, up to the amount available in the capital redemption reserve.

The common shares confer the right to twenty votes per share.

2 The Company ceased selling its shares of capital stock during April, 1968.

3 Under a contract with Gdn. Management Limited ("Gdn.") as amended in 1968, Guardian Growth Fund Limited (the "Company") pays a basic expense, management and advisory annual fee, computed such that this fee plus certain other administrative expenses of the Company total 1½% of the average net assets of the Company. In addition to the basic fee, the Company will pay a performance bonus to Gdn. if the Company outperforms certain stock market averages. This bonus is a percentage of average net assets during the year equal to 1/10th of the amount by which the percentage gain in the net asset value per share of the Company exceeds the median percentage gain of the Toronto Industrial Index and the Dow-Jones Industrial Average in the same year; or conversely 1/10th of the amount by which the percentage loss in the net asset value per share of the Company is less than the median percentage loss of these indices. The bonus is not to exceed 2% of such average net assets and is payable to Gdn. subsequent to the Company's year-end.

For the year ended December 31, 1968, the Company will pay the maximum bonus rate of 2% and the bonus, as computed by applying this percentage to the average net assets for the year, is \$782,084. This amount has been accrued in the attached financial statements.

During 1967 the Company paid a basic expense, management and advisory annual fee computed such that this fee plus certain other administrative expenses of the Company totalled 2% of the year-end net assets of the Company but under the contract in effect at that time the company was not required to pay a performance bonus.

4 It is the policy of the Company to charge 50% of the management fee and bonus against income and 50% against principal for the reason that both the production of income and the management of principal are investment management functions.

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June 30/1968

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Guardian Growth Fund Limited Quarterly Report

Directors and Officers

James F. Cole

Alan Grieve, Vice-President and Secretary-Treasurer

Norman J. Short, President

Murray M. Sinclair

Transfer Agent and Registrar

The Canada Trust Company,

110 Yonge Street,

Toronto 1, Ontario.

Banker and Custodian of Securities

The Canadian Imperial Bank of Commerce,

7 King Street East,

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Auditors

Smith, Nixon & Co.,

17 Queen Street East,

Toronto 1, Ontario.

Legal Counsel

Day, Wilson, Campbell

250 University Avenue

Toronto 1, Ontario

Guardian Growth Fund Limited

48 Yonge Street, Toronto 1, Ontario

Telephone 363-4942



Basic Aim

The aim of the Fund is to provide a means of investment for that portion of an individual's portfolio which looks towards above average capital gains. In the purchase of securities, consideration is given first to growth of capital, with due regard to safety of principal and income.

To the Shareholders

The second quarter of 1968 saw a dramatic change of trend in stock market prices as compared with this year's first quarter. The relative movements of the stock market averages, and of Guardian's net asset value per share, are shown in the table which forms part of this report.

President Johnson's speech on Sunday, March 31st, announcing his intention not to run for another term of office greatly improved the overall political atmosphere in the U.S. This decision, coupled with the initiation of peace talks on Vietnam, and the apparently successful initiation of the two-price gold system, liberated an already over-sold stock market. The subsequent passage of the U.S. tax increase bill further allayed fears of a world monetary crisis.

In Canada, the election of a majority government has been viewed favourably by Canadian equity investors. This event has added to a new mood of dynamic restlessness in Canadian business and investment circles which, in your management's view, holds out great promise for a more productive and progressive Canadian economy in the years ahead.

Guardian, in the second quarter of 1968, also had an interesting time. The decision to cease sale of the Fund's treasury shares as of April 19th 1968, coupled with the overall market reversal, precipitated a large new money inflow into the Fund. Between the end of March and mid-April, Guardian's net assets, including cash receivable from sale of treasury shares, rose from \$22 million to nearly \$40 million. As a result of this new money inflow, cash reserves in April increased, whereas pure investment considerations at that time would have suggested that they be somewhat reduced. This particular series of events, therefore, did result in a moderate dilution of the gain in per share value that would otherwise have occurred in April. This was a one-time factor, of course, and now that treasury

shares are no longer being sold, no further dilution of per share value will occur.

Some shareholders may have noticed an article in a recent copy of Fortune magazine. This article, in effect, maintained that new cash flow was an essential ingredient for a fund to maintain good performance. Your management intends to do its best to prove that this is not the case.

In the early years of Guardian's existence, cash flow was relatively modest, and yet in these years performance was not apparently inhibited by this fact. In 1967, a year of good per share growth and large relative new cash inflow, it is your management's belief that some of Guardian's better holdings were diluted, and that the per share gain in that year would in fact have been somewhat greater had the new cash flow been less. In 1968, as noted above, the very large cash flow in April did have a modest diluting effect. The argument for cash flow is that mistakes tend to become relatively insignificant, while successes are added to, and thus supposedly, better performance is achieved. In Guardian's case, your management attempts to identify and eliminate mistakes regardless of the existence of new cash flow; in the case of successes, however, it is sometimes psychologically difficult to continue purchasing shares of a company when these have already made a substantial advance in price, and thus it is possible for a successful holding to become diluted by new cash flow.

During the second quarter, your management added to several of Guardian's existing holdings, including University Computing, I.B.M., Denison, Famous Players, Bramalea and Farrington. New holdings added included Sinclair Oil, Technicolor, Graphic Sciences and General Dynamics among U.S. companies, and Canadian Imperial Bank of Commerce, General Distributors and Block Brothers Industries among Canadian companies. Holdings were reduced or eliminated in Kershaw, Harvey Aluminum, Allied Stores and Wyman-Gordon.

Your management looks towards the future with enthusiasm. Guardian is considerably larger than it was in the recent past, yet by North American standards the Fund is still a relatively small entity. This gives Guardian a flexibility which is denied to large funds. The above-average basic management fee permits Guardian's management company, Gdn. Management Limited, to employ analytical talent, to buy services and to retain consultants on a scale which would normally be available only to a larger

Performance Record

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fund. The existence of the performance bonus, earned only if Guardian's per share net asset value outperforms the averages, gives to your management, and to all concerned with Gdn. Management Limited, a most specific and powerful incentive to produce good results. While there will undoubtedly continue to be downward moves in the stock market, as well as up moves, good industry and security selection, combined with reasonably good timing, should enable Guardian to continue to out-perform overall market indices in the future, as it has in the past.

At the annual meeting in April, in response to a question, your management stated that no particular thought had been given to a public sale of shares in Gdn. Management Limited, but that if such a sale were contemplated in the future, every effort would be made to enable Guardian shareholders to have a preferential position with regard to buying shares of Gdn., should they wish to do so.

Some preliminary discussions with regard to this move are now under way. No immediate action is contemplated, and Guardian shareholders will be kept informed of significant developments as and when these occur.

On behalf of the board,
Yours sincerely, Norman Short

Norman J. Short

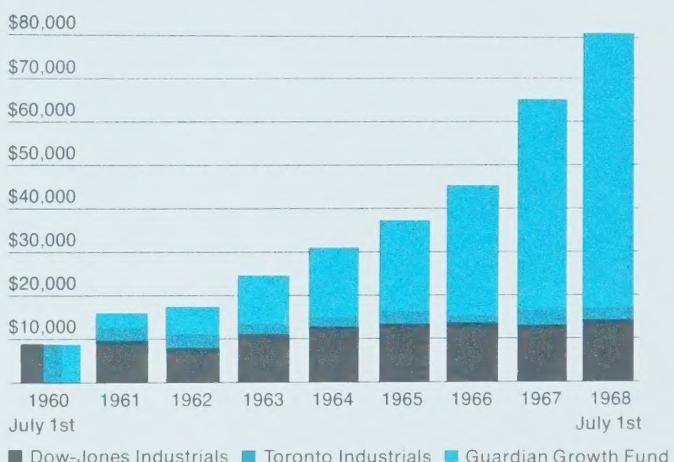
Quarterly Report June 30/1968

	Value	Percent Change Since		
	June 30	Mar. 31	Dec. 31	June 30
	1968	1968	1967	1967

Guardian Growth Fund

Net Asset Value per Share	\$ 8.82	+17%	+8%	+25%
Toronto Industrials	166.61	+13%	+3%	+1%
Dow-Jones Industrials	897.80	+7%	-1%	+4%

Guardian Growth Fund was started on July 1st, 1960. Shareholders may be interested in the record of growth in value of an investment of \$10,000 on July 1st, 1960, less an 8 1/2% sales commission. This growth record is depicted graphically below, together with the comparative record of the Canadian and U.S. market indices.



Between July 1st, 1960 and June 30th, 1968 Guardian Growth Fund's net asset value per share rose from \$1.00 to \$8.82 for a gain of 782%. In the same period, the Toronto Stock Exchange Industrial index rose from 99.22 to 166.61 for a gain of 68%, and the Dow-Jones Industrial average rose from 638.38 to 897.80 for a gain of 40%. Guardian's per share value has been able to outperform the index in years of good markets. In 1962 and 1966, years of significant decline in the market as a whole, Guardian Growth Fund achieved gains in per share net asset value of 1% and 11% respectively.

Guardian's shares are no longer being offered from the treasury. The net asset value, or bid price, is still listed in the "mutual funds" section of the daily market quotations.

An "over-the-counter" market in Guardian's shares has also developed. The closing quote is listed in the newspapers each day under "unlisted industrials".

At present, shares are trading at about an 8% premium over the net asset value. Your investment dealer will be glad to be of assistance in buying or selling shares of Guardian.

Major Holdings

June 30/1968

Shares Held	Name	Market Value
24,000	University Computing	\$ 3,407,500
7,500	I.B.M.	2,853,700
36,000	Medicenters of America	1,781,190
\$710,000	Famous Schools—conv. debts.	1,336,430
\$1,000,000	Sinclair Oil—conv. debts.	1,140,140
18,000	Communications Satellite	1,103,570
36,600	Bramalea	1,098,000
15,000	Chrysler	1,016,440
15,500	Famous Players	928,060
50,000	I.T.L. Industries	887,500
15,000	General Dynamics	883,330
11,490	Graphic Sciences	865,320
20,000	Farrington Manufacturing	847,040
30,000	Computel Systems	750,000
10,000	Denison Mines	750,000
40,750	Canadian Imperial Bank of Commerce	687,650
18,300	Technicolor	642,160
10,100	Hi-Shear	624,660
35,000	Versafood Services	612,500
25,000	Harvey's Foods	587,500
15,000	McLean Industries	532,420
6,000	Denny's Restaurants	451,750
17,600	National Radio	444,870
15,375	Na-Churs International	432,420
17,300	Air Industries	418,680
10,000	J. W. Mays Inc.	392,600
39,700	Newconex Holdings	357,300
5,000	Lynch Communications Systems	352,260
36,400	Brenda Mines	345,800
4,000	Recognition Equipment	335,590
2,000	National Patent	322,680
25,250	General Distributors	309,310
10,800	Esquire Inc.	302,030
20,000	Block Bros. Industries	290,000
2,200	Optical Scanning	289,870
52,600	Wardair Canada Ltd.	263,000
4,000	Pennsylvania Life Insurance Co.	257,060
7,500	Radio Engineering	221,250
	Other Holdings	1,037,201
	Cash and Receivables	12,755,660
Total Net Assets		\$42,914,441

Brief Description of Major Holdings

University Computing rapidly growing computer service bureau operator, which also designs and manufacturers peripheral equipment and, through subsidiaries, leases and services computers and peripheral equipment

I.B.M. major computer manufacturer, which continues to grow at a rapid rate.

Medicenters of America builder, operator and franchiser of intermediate care facilities which operate in conjunction with hospitals, sponsored by the Holiday Inns of America management.

Famous Schools leading sponsor of educational courses taken in the home—subjects include art, languages and speed reading.

Sinclair Oil major integrated oil marketing and production company.

Communications Satellite part-owner and operator of communications systems via satellite.

Bramalea large Canadian real estate development company with excellent management and rising cash flow.

Chrysler major U.S. auto producer.

Famous Players Canadian movie theatre chain with interests in other entertainment fields and in Community Antenna Television.

I.T.L. Industries leading North American manufacturer of high precision moulds for plastic products, also a custom moulder and inventor of the "Palm-'n-Turn" safety bottle cap.

General Dynamics diversified manufacturing company whose major product is the F111 swing wing aircraft, and which is becoming a significant factor in the computer output field.

Graphic Sciences developer of a system that will send pictures and printed matter over telephone lines at low cost.

Farrington Manufacturing leading independent producer of computer optical character recognition input devices and credit card imprinters.

Computel Systems operator of a fast growing Univac 1108 service bureau in Ottawa.

Denison Mines leading uranium producer with large reserves and low costs.

Canadian Imperial Bank of Commerce major Canadian bank likely to be one of the beneficiaries from Chargex.

Technicolor movie film processor with expanding product lines.

Hi-Shear leading manufacturer of light-weight, high tensile-strength fastening devices used largely in the aircraft industry.

Versafood Services large Canadian institutional food service specialist in which a major interest has been taken by Automatic Retailers of America.

Harvey's Foods rapidly growing Canadian operator and franchiser of quick service, high quality, limited menu restaurants under Harvey's and Chicken Chalet name.